

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF: FRUITLAND DEVELOPMENT GROUP, LLC DERRICK S. BETTS GREGORY K. HOWELL RESPONDENTS.	ORDER TO SHOW CAUSE Docket No. SD-09-0024 Docket No. SD-09-0025 Docket No. SD-09-0026
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It appears to the Director of the Utah Division of Securities (Director) that Fruitland Development Group, LLC, Derrick S. Betts, and Gregory K. Howell (the Respondents) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division

alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Fruitland Development Group, LLC (Fruitland) was registered as a Utah limited liability company on November 3, 2006, but its entity status expired on March 2, 2009. Derrick S. Betts and Greg K. Howell were the managers of Fruitland at all times relevant to the matters asserted herein.
3. Derrick S. Betts is a resident of Wasatch County, Utah.
4. Gregory K. Howell is a resident of Salt Lake County, Utah.

GENERAL ALLEGATIONS

5. Between November 2006 and January 2007, the Respondents solicited investments in Fruitland Development Group, LLC totaling \$800,000 from at least five investors. One investor is from Florida, two are from California, and two are from Nevada.
6. Respondents told investors their money would be used to purchase a subdivision in Duchesne County, Utah, which would later be developed and sold.
7. Respondents told investors they would become a member of Fruitland and receive their principal investment within a few months, in addition to a return on their funds (as much as 100%) in anywhere from 60 days to two years.

8. Investors lost all of their money.

Investors DM and GM, Husband and Wife

9. In late 2006, Howell told DM and GM (California residents) about an investment opportunity with an associate of his, Betts. Howell's initial conversations with DM and GM were via telephone.
10. Howell told DM and GM he had invested with Betts himself and never lost money.
11. Howell said the worst he and Betts had done was to make 20% profit and they usually made 50% profit.
12. Howell said an investment with Betts was safe and recommended DM and GM talk to Betts about investing in one or more of the several projects in which Betts was involved.
13. Howell provided DM and GM with Betts' contact information.
14. DM contacted Betts via telephone to learn more about the investment opportunities.
15. Betts provided DM with the following information regarding the investment, via e-mail and telephone:
- a. Betts was going to form a company, Fruitland Development Group, LLC, specifically for the development of the Hidden Meadow Subdivision;
 - b. Betts, Howell, and DM and GM would be members of Fruitland if DM and GM invested;
 - c. Many people were interested in purchasing lots in Hidden Meadow once they

were developed;

- d. The market was so “hot” that Betts wanted to hold onto one of the lots for himself;
 - e. The location of the property was very desirable; and
 - f. If DM and GM invested \$300,000, Betts would pay them interest of 12% per year, but if DM and GM invested \$400,000 or more, Betts would return their principal in 60 days, and double their investment in one or two years.
16. On November 14, 2006, Howell sent, via facsimile, two documents to DM and GM, each entitled “Consent to LLC Manager.” One document, dated November 13, 2006, states “In consideration of \$200,000, [DM] will receive a four (4%) percent profits only interest in Fruitland . . .” The second document, dated November 14, 2006, states “In consideration of \$300,000, Umpqua Bank Custodian FBO [DM] . . . will receive a six (6%) percent profits only interest in Fruitland. . . .” Both documents appear to have been signed by Betts and Howell.
17. On or about November 15, 2006, DM and GM invested with the Respondents by sending, via electronic wire transfer, \$200,000 from their bank account to Springwater Capital, LLC’s¹ account at Bank of the West in Salt Lake County, Utah. DM and GM sent their

¹ Springwater Capital, LLC is a Utah limited liability company, located in Utah County. Derrick Betts and Cory Williams are the managers of Springwater Capital.

investment to Springwater Capital's account pursuant to instructions they received from Betts, via e-mail, on November 14, 2006.

18. On November 16, 2006, DM flew to Salt Lake City to view the Hidden Meadow Subdivision.
19. Howell picked up DM at the airport, then picked up Betts on the way to the property. DM walked around the property with Howell and Betts, and Betts described the property and the growth occurring in the area.
20. On November 17, 2006, DM sent an e-mail to Betts thanking him for showing him around the property. Betts responded the same day, "I very much enjoyed our time together. I look forward to a prosperous future together."
21. On November 17, 2006, DM invested a second time with the Respondents by sending \$300,000, via electronic wire transfer, to Springwater Capital's account at Bank of the West in Salt Lake County, Utah.
22. On February 6, 2007, Howell told DM the Hidden Meadow Subdivision deal had not closed because of an issue involving irrigation pipes.
23. Approximately 60 days after making his second investment, DM began asking Betts and Howell to return his principal investment.
24. In April 2007, DM sent Betts an e-mail asking what happened to DM and GM's \$500,000 investment.

25. On April 10, 2007, Betts responded via e-mail:

The \$500k that you put into the project was used as a deposit with the Sellers and was released to them based on our ability to acquire financing . . . What happened, that ended up messing everything up, was that our then partner, John Schofield, had lied to us . . . about the property. We got to the closing table, and learned that the current first lien holder was unwilling to subordinate to our new lender, causing the deal to fail. John Schofield had stated on several occasions that the 1st lien holder would subordinate and that he had spoken with him and verified that information. . . .

Obviously, these problems cause our funding to turn tail and run, and as a result, left us holding the bag . . . I am in the process of filing a \$1.2M + lawsuit against Mr. Schofield and his Real Estate Brokerage, Caldwell Banker . . . this process will take a very long time . . . the bottom line is, that I should have been more careful about all the details. . . .

26. As of today's date, DM and GM have received no return of their principal or interest and the Respondents currently owe them \$500,000 in principal alone.
27. Bank records reveal that by December 31, 2006, Betts had invested the majority of DM and GM's funds in a software development company called Alpha Bay Corporation.

Investor IM

28. In October or November 2006, IM (a Florida resident) flew to Utah where she met with Howell and Betts about an investment in Fruitland.
29. Betts told IM that he and Howell were in a hurry to purchase the Springwater Subdivision located in Duchesne County, Utah, and needed \$250,000.
30. Betts and Howell took IM on a tour of the property in Duchesne County, Utah.

31. Betts told IM the owner of the property made an error regarding water rights which caused all of the home builders to put their plans on hold.
32. Betts told IM once he and Howell acquired the property they would own 50% of the lots and they had contractors who were ready to start building.
33. Betts told IM her money would be held in escrow until the purchase closed, and if the purchase did not close, IM would get her money back.
34. Betts told IM her money would never be at risk and she would double her money in 60 to 90 days.
35. In November 2006, IM received the first page of a Real Estate Purchase Contract (REPC) for the Hidden Meadow Subdivision in Duchesne County, Utah. The buyer on the REPC was listed as Fruitland Development Group, and the offer was to purchase the property for \$3,500,000 with a deposit of \$250,000 in earnest money.
36. In November 2006, IM also received a document entitled "Addendum No. 3.c," which states "Earnest Money of \$250,000 is fully refundable and returnable to Buyer. . . ."
37. The REPC and the Addendum were not signed or initialed.
38. On or about November 2, 2006, IM received a letter from Betts, via facsimile, with instructions to issue a check to Springwater Capital. Betts wrote:

Fruitland Development Group LLC is the buyer of the property. Our proposal is to make you a 5% owner of the property until such time as you are repaid your ownership interest at a level of \$300,000. It is anticipated that this payout will take 90 days to

complete, but be prepared to have it take up to 120 days.

39. On or about November 6, 2006, IM mailed her investment check for \$150,000, drawn on her business account, to Springwater Capital in Salt Lake County, Utah. IM's investment check was made payable to Springwater Capital, LLC.
40. Howell later told IM that Betts allowed IM's money to be released from escrow, and that it became unrecoverable when the purchase of the property fell apart.
41. As of today's date, IM has received no return of principal or interest, and the Respondents owe her \$150,000 in principal alone.
42. Bank records reveal that IM's check for \$150,000 was deposited into Springwater Capital's account on November 17, 2006, and co-mingled with \$500,000 from another investor, to increase the balance to \$652,000.
43. By December 31, 2006, \$645,000 of the money in Springwater Capital's account was used as follows:
 - a. Three wire transfers made to Alpha Bay Corporation totaling \$500,000;
 - b. One wire transfer to Alliance Title for \$25,000;
 - c. Check #9901 for \$20,000 was issued to GKH Real Estate Services, LLC, one of Howell's companies; and
 - d. One wire transfer to Equity Title Insurance Trust for \$100,000.

Investors PG and ED, Husband and Wife

44. In November 2006, Howell told PG and ED (Nevada residents) about an investment opportunity in Fruitland, via telephone.
45. Howell told PG and ED he had an associate who needed money to save a property from “falling out of escrow.” Howell described the property and the location.
46. Howell told PG and ED he was the project manager of the investment opportunity and his associate, Betts, was the “detail and finance guy.”
47. Howell said he (Howell) was capable of handling a project of this size and had successfully managed the development of a golf course in Nevada.
48. Howell said he had invested with Betts in the past.
49. Howell also said Betts owned a finance company and described Betts as a “mover and a shaker.”
50. During later telephone conversations with both Howell and Betts, Howell and Betts told PG and ED the following:
 - a. Howell and Betts negotiated the purchase of property called the Hidden Meadow Subdivision, in the township of Fruitland, Duchesne County, Utah;
 - b. Howell’s and Betts’ personal net worth was adequate to purchase the property but each of them had committed to other ventures which created short-term illiquidity;
 - c. An investment of \$150,000 would double in 90 days;

- d. PG and ED would also receive 5% ownership in Howell's and Betts' company, Fruitland Development Group, LLC;
 - e. There is no risk because the investment would be secured by real property;
 - f. If the purchase of the property failed to close, PG and ED would get their money back.
51. In November 2006, PG and ED invested \$150,000 in Fruitland Development Group by mailing two personal checks to Meridian Escrow in Salt Lake County, Utah. Both checks were made payable to Meridian Escrow.
 52. On September 21, 2006, Howell and Betts gave PG and ED a document entitled "Hidden Meadow Pre-Sales Reservations," which indicated that many of the lots had been sold.
 53. Howell and Betts told PG and ED that the pre-sales guaranteed them the return of their principal investment.
 54. On November 14, 2006, PG and ED drove to Utah to see the Hidden Meadow Subdivision in Duchesne County, Utah, and to meet Betts.
 55. After viewing the property, PG and ED met Betts at a parking lot behind a car dealership somewhere in Salt Lake County. Betts told PG and ED that everything was going well with their investment and their money was secure in an escrow account.
 56. On or about December 12, 2006, PG received a telephone call from Betts.
 57. Betts told PG he had negotiated a reduction in the price of the property and used Betts'

own money to pay the earnest money. Betts said he therefore no longer needed PG and ED's money.

58. Betts told PG that PG and ED could remain member owners in Fruitland by reinvesting their money.
59. Betts said Fruitland would use PG and ED's money to improve Fruitland's bottom line and make Fruitland's bank account look healthy.
60. PG and ED eventually received copies of their voided checks made payable to Meridian Escrow.
61. On or about December 18, 2006, PG and ED issued two replacement checks for \$75,000 each, made payable to Fruitland Development Group, LLC. PG and ED mailed the checks to Betts in Utah.
62. On December 18, 2006, PG sent, via e-mail, a document entitled "Modification of Memorandum of Understanding" to Betts and Howell. The Modification agreement is dated November 17, 2006, and was eventually signed by both Betts and Howell.
63. The Modification agreement states that Fruitland "seeks to reallocate [PG's and ED's] capital contribution from earnest money to cash reserves, in the interest of maintaining a positive balance sheet to aid in obtaining favorable financing for the project."
64. The Modification agreement also states that Fruitland "agrees to use the reallocated \$150,000 from [PG and ED] as cash on hand for FDC, for any expenditure which may be

directly necessary for the furtherance of the Hidden Meadow development, applying a fiduciary standard of care . . .”

65. As of today’s date, PG and ED have received no return of principal or interest, and the Respondents owe them \$150,000 in principal alone.
66. Bank records reveal that all of PG and ED’s funds were transferred from Fruitland’s account to Springwater Capital’s account within days of the initial deposit.
67. Between January 11 and May 15, 2007, \$137,450 was transferred from Springwater Capital’s account to Axis Investment Group, LLC’s² account, and then used to pay expenses related to other property located in Utah and California.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

68. The Division incorporates and re-alleges paragraphs 1 through 67.
69. The investment opportunities offered and sold by the Respondents are investment contracts and/or profit-sharing agreements, and therefore securities under § 61-1-13 of the Act. An investment contract includes,

any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of

² Axis Investment Group, LLC is a Utah limited liability company located in Wasatch County. Betts is the registered agent of Axis and Serena and Stacy Betts are its members. Axis was voluntarily dissolved in November 2008.

someone other than the investor; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

70. In connection with the offer and sale of securities, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
- a. Howell told DM and GM that an investment with Betts was safe;
 - b. Betts told DM and GM he was looking for a private investor to help him purchase the Hidden Meadow Subdivision, when in fact, Betts solicited several other investors for the same investment opportunity;
 - c. Betts told DM and GM that if they invested, they would get their initial investment back within 60 days, and would double their money within one or two years;
 - d. Betts told DM that DM and GM's investment funds would be used as a deposit for the purchase of the Hidden Meadow Subdivision, when in fact, Betts used DM and GM's money primarily to invest in Alpha Bay Corporation and none of their funds were used for the acquisition of Hidden Meadow;

- e. Betts told IM her investment funds would be held in escrow until the deal closed and that she would receive her money back if the deal failed to close, when in fact, IM's investment funds were co-mingled with DM and GM's funds and used primarily by Betts to invest in Alpha Bay Corporation;
- f. Betts said IM's money would never be at risk;
- g. Betts said IM would double her investment in 60 or 90 days;
- h. Howell and Betts told PG and ED they would double their investment in 90 days;
- i. Howell and Betts told PG and ED that there was no risk of losing their investment because it would be secured by real property;
- j. Betts told PG and ED that their December 2006 investment of \$150,000 would be used to improve Fruitland's bottom line and make Fruitland's account look healthy, when in fact, PG and ED's money was deposited into Fruitland's account, then money was immediately transferred to Axis Investment Group, LLC;
- k. Betts and Howell failed to provide some or all of the information typically provided in an offering circular or prospectus regarding Fruitland Investment Group, LLC, such as:
 - i. the business and operating history;
 - ii. The principals' experience with buying, developing, and selling real estate;
 - iii. the financial statements;

- iv. The market for the Fruitland's service(s) or product(s);
- v. The nature of the competition for the service(s) or product(s);
- vi. Fruitland's current capitalization;
- vii. The track record of Fruitland to other investors;
- viii. The number of other investors;
- ix. The minimum capitalization needed to participate in the investment;
- x. The disposition of any investments received if the minimum capitalization were not achieved;
- xi. Discussion of pertinent suitability factors for the investment;
- xii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xiii. Agent commissions or compensation for selling the investment;
- xiv. Whether the investment is a registered security or exempt from registration; and
- xv. Whether the person selling the investment is licensed.

71. In connection with the offer and sale of securities, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. Betts had been sued several times and had several satisfied judgments;

- b. Betts filed bankruptcy in 1998; and
- c. In October 2003, the Utah State Tax Commission filed a \$3,587 tax lien against Betts.

72. Based upon the foregoing, Respondents violated § 61-1-1 of the Act.

ORDER

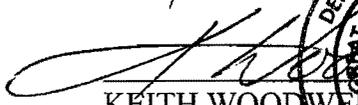
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on **Wednesday, September 5, 2012, at 9:00 a.m.**, at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of

the Act;

- c. Why Respondents should not be barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; (ii) acting as agents for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah; and
- d. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 23rd day of July, 2018


KEITH WOODWORTH
Director, Utah Division of Securities



Approved:


D. SCOTT DAVIS
Assistant Attorney General
D. P.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**FRUITLAND DEVELOPMENT GROUP, LLC
DERRICK S. BETTS
GREGORY K. HOWELL**

Respondents.

NOTICE OF AGENCY ACTION

**Docket No. SD-09-0024
Docket No. SD-09-0025
Docket No. SD-09-0026**

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. § 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Order to Show Cause. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0358

An initial hearing in this matter is set for **Wednesday, September 5, 2012** at the Division of

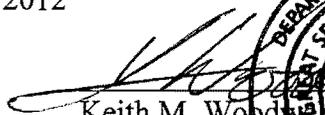
Securities, 2nd Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Jennie Jonsson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Jonsson and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0358.

Dated this 23rd day of July, 2012


Keith M. Woodwell
Director, Division of Securities



CERTIFICATE OF MAILING

I, Julie Price, hereby certify that on the 27th day of July 2012, I mailed, by regular and certified mail, a true and correct copy of the forgoing **Order to Show Cause and Notice of**

Agency Action to:

Fruitland Development Group, LLC
Derrick Betts
1860 Fieldstone Lane
Heber City, UT 84032

Certified Receipt #: 7007 0220 0001 0004 71059

Fruitland Development Group, LLC
Derrick Betts
c/o Isaac Paxman
7410 S. Creek Road, #100
Sandy, UT 84093

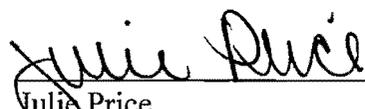
Certified Receipt #: 7007 0220 0001 0004 71060

Gregory Howell
9545 S. Stornoway Circle
South Jordan, UT 84095

Certified Receipt #: 7007 0220 0001 0004 71073

Gregory Howell
c/o Elizabeth Lorenzo
10 West Broadway, Suite 650
Salt Lake City, UT 84101

Certified Receipt #: 7007 0220 0001 0004 71080



Julie Price
Administrative Secretary